



MOL HUNGARIAN OIL AND GAS Co.

1998 THIRD QUARTER AND NINE MONTHS RESULTS

This report contains consolidated¹ financial statements for the nine months ended 30 September 1998 of MOL Hungarian Oil and Gas Co. as prepared by management in accordance with International Accounting Standards (IAS) and Hungarian Accounting Standards (HAR). *Please note that financial statements for the first nine months of 1998 in this report are unaudited.*

Financial Highlights

1997 Full Year		MOL Group financial results (IAS)	Q1-3 1997		Q1-3 1998		98/97 ch. %	
HUF bn	USD m ⁽¹⁾		HUF bn	USD m ⁽¹⁾	HUF bn	USD m ⁽¹⁾	HUF	USD
637.0	3,411.9	Net sales revenues	441.6	2,410.7	441.4	2,065.9	0	(14)
581.9	3,116.8	Adjusted net sales revenues ⁽²⁾	402.2	2,195.6	441.4	2,065.9	+10	(6)
50.0	267.8	Operating profit	31.9	174.1	47.2	220.9	+48	+27
30.6	163.9	Net income ⁽³⁾	18.4	100.4	38.8	181.6	+111	+81
314.0	1.7	Earnings per share/GDR (HUF or USD)	189.2	1.03	398.2	1.9	+110	+84
77.8	416.7	Operating cash flow	50.9	277.8	69.9	327.2	+37	+18

⁽¹⁾ In converting HUF financial data into US Dollars, the following average NBH middle rates were used: for the first nine months of 1997: 183,18 USD/HUF, for 1997: 186,7 USD/HUF, for the first nine months of 1998: 213,66 USD/HUF. ⁽²⁾ Net sales have been adjusted to make results comparable after the introduction of the new, unified Excise Tax. ⁽³⁾ Net income in accordance with IAS means Net profit attributable to shareholders.

IAS consolidated¹ operating profit for MOL Group for the first nine months of 1998 was HUF 47.2 bn, profit before taxation was HUF 43.1 bn, while net income reached HUF 38.8 bn. Operating profit grew by 48%, and net income was 111% higher than the same period in 1997. Operating profit contribution was HUF 15.9 bn and net income grew by HUF 9.8 bn in the third quarter 1998 alone. Earnings per share for the period was HUF 398, showing a 110% growth.

Net income growth outpaced that of operating profit as a result of capital gains achieved on the disposal of certain minority interests in the first half of 1998. This impact was partially reduced by a sharp increase of FX losses on foreign currency debt, in the third quarter of the year. The strong earnings growth was recorded despite a significant reduction in crude oil prices (by 6.0 USD/bbl or 31%) over the first nine months of last year.

Exploration and Production (including fully consolidated subsidiaries engaged in Upstream activities) achieved an IAS operating profit of HUF 28.7 bn while Refining and Marketing (including fully consolidated subsidiaries related to Downstream activities) contributed HUF 25.8 bn to IAS Group operating profit. Corporate and other segments (including the results of fully consolidated subsidiaries engaged in corporate activities as well as eliminations and consolidation adjustments) incurred a net operating loss of HUF 7.3 bn.

Despite the strong improvement in operating cash flow (increasing by 37% to reach nearly HUF 70 bn during the period), the increasing financial needs created by capital investment projects increased net debt levels moderately compared to 1997 year-end levels, thus the net debt to net debt plus equity ratio increased to 29% by the end of the period.

Main IAS adjustments were a decrease in provision for the elimination of past environmental damages, an increase in the accruals for restoration costs of abandoned oil and gas fields and a decrease in the accrual for future refinery maintenance costs. Total IAS adjustments increased net income by HUF 1.2 bn. HAR consolidated profit after taxation was lower by the same amount and reached HUF 37.6 bn.

¹ Involved in full consolidation in accordance with both HAR and IAS were Rotary Rt., GES Kft., Geoinform Kft, MOL-Chem Kft, MOLTRADE-Mineralimpex Rt., MOL-Lízing Kft., Kumpetrol Kft., Petrolszervíz Kft., Petroszolig Kft., MOLTRANS Kft., Dunafiksz Kft, MOL-Románia Kft., MOL-Szlovákia Kft. (all 100% owned by MOL) as well as Zsámbékgáz Rt. (96.16%), Olajterv Rt. (86%), Izobutilén Kft. (68%), Nitrogénművek Rt., (59.34%), Börzsönygáz Kft. (99.81%), Terméktároló Rt. (74%) and ZAB Rt. (56.15% owned by MOL) were included in full consolidation. MOL-Hotels Rt. (100%) was brought into consolidation from the first quarter of 1998 and MOL-Invest Rt. (100% owned by MOL) was involved in consolidation from the second quarter of 1998.



Sectoral Performance

Exploration and Production

1997 Full Year		UPSTREAM Divisional IAS results	Q1-3 1997		Q1-3 1998		98/97 ch. %	
HUF bn	USD m ⁽¹⁾		HUF bn	USD m ⁽¹⁾	HUF bn	USD m ⁽¹⁾	HUF	USD
242.1	1,296.7	Net sales	153.4	837.4	178.7	836.4	+16	0
242.1	1,296.7	Adjusted net sales ⁽²⁾	153.4	837.4	178.7	836.4	+16	0
32.5	174.1	Operating profit	17.5	95.5	28.7	134.3	+64	+41
22.1	118.4	Depreciation	15.4	84.1	14.7	68.8	(5)	(18)
161.6	865.6	Tangible assets	147.7	806.3	168.9	790.5	+14	(2)
35.8	191.8	Capital expenditures	15.7	85.7	29.6	138.5	+89	+62

⁽¹⁾Exchange rates used - 1997: 186.7 HUF/USD, 1997 Q1-3: 183,18 HUF/USD, 1998 Q1-3: 213,66 USD/HUF (average NBH middle rates) ⁽²⁾ Net sales have been adjusted to make results comparable after the introduction of the new, unified Excise Tax.

In the first nine months of 1998, IAS consolidated net sales revenues (third party sales only) for the Exploration and Production division were HUF 178.7 bn and operating profit was HUF 28.7 bn, representing a 64% profit growth over HUF 17.5 bn in the same period last year. The Division spent HUF 29.6 bn on capital expenditures, HUF 9.0 bn on investments and expensed a further HUF 6.4 bn in domestic exploration costs. The continuous decline in market prices for crude oil, condensates, and LPG and lower natural gas and LPG production and sales volumes had a negative impact on the profitability of the Division, which was more than offset by improving returns from the natural gas business, having recovered to profitability after the HUF 11.4 bn estimated loss in the first nine months of 1997.

Natural gas sales volumes were 7.6 bcm, showing a 0.2 bcm or 3% decline on the first three quarters of 1997 (7.8 bcm), however in the third quarter of 1998, natural gas sales picked up driven by expanding sales to the power sector. Import sources of 5.4 bcm secured 71% of natural gas sales (in the same period of 1997 import sources represented 5.1 bcm or 65% of total natural gas sales) and 2.2 bcm was sold from domestic production. Total net dry gas production was 2.6 bcm, showing an 18% decline compared to the same period of 1997 (3.2 bcm) chiefly due to lower production levels recorded in the first quarter.

In the first nine months of 1998, the natural gas business as defined by current price regulation (encompassing natural gas exploration, production, storage, transmission and wholesale activities), had an estimated profit of HUF 0.5 bn, taking into account HUF 1.7 bn of allocated interest costs, HUF 5.5 bn of inventory holding costs and HUF 5.3 bn of allocated overhead costs. In contrast, during the first nine months of 1997, the gas business suffered an estimated loss of HUF 11.4 bn, including HUF 1.7 bn of interest costs, HUF 4.5 bn of inventory holding costs and HUF 2.9 bn of overhead costs. In the third quarter of the year, the profit position of the gas business decreased slightly for seasonal reasons, whilst the gap between average wholesale and import prices disappeared (the difference was as high as 4,8 HUF/m³ in the first nine months of 1997) and import prices reduced sharply during the year. As a results, we expect that profitability of the natural gas business should improve further in the fourth quarter. Average sales price increased by 24.4% and reached (including transmission fee) 19.4 HUF/m³ (15.6 HUF/m³ in Q1-3 1997) while average import price at border parity decreased by 7% from 20.4 HUF/m³ to 19.0 HUF/m³. MOL Rt. also incurs some 3 HUF/m³ of additional costs above this import unit price (transmission, inventory holding, storage, and allocated overhead costs).

Natural gas sales (including transmission revenues) increased by HUF 25 bn to HUF 147.8 bn, as a result of higher sales prices and slightly lowering sales volumes. Natural gas transit volumes reached 1.5 bcm in the first nine months of 1998 (no real change compared to the same period of 1997) and revenues were also nearly unchanged at HUF 5.8 bn against HUF 6.0 bn in Q1-3 1997. Transit volumes and revenues did not grow as expected, reflecting payment difficulties in the target markets. LPG sales dropped by 8.7% (from 161 kt to 147 kt) and LPG sales revenues were HUF 5.9 bn, decreasing from HUF 7.3 bn, but the third quarter saw some volume recovery after a weaker first half in 1998. Revenues from other gas products reduced from HUF 2.7 bn to HUF 1.8 bn, and volumes went down from 67 kt to 48 kt. Revenues from condensates sales (at transfer prices) decreased by HUF 2.1 bn to HUF 5.2 bn, while volumes fell from 269 kt to 236 kt as condensates are mainly extracted from the company's natural gas fields. Domestic crude oil production was 943 kt in the first nine months of 1998, of which 910 kt was transferred to Refining, 7% less than in the same period last year. Revenues from crude oil (at transfer prices) were HUF 17.8 bn, decreasing by HUF 5.9 bn due to the decline in crude oil production and prices.



Refining and Marketing

1997 Full Year		DOWNSTREAM Divisional IAS results	Q1-3 1997		Q1-3 1998		98/97 ch.%	
HUF bn	USD m ⁽¹⁾		HUF bn	USD m ⁽¹⁾	HUF bn	USD m ⁽¹⁾	HUF	USD
421.6	2,258.2	Net sales	301.7	1,647.0	261.7	1,224.8	(13)	(26)
366.5	1,963.0	Adjusted net sales ⁽²⁾	262.3	1,431.9	261.7	1,224.8	0	(15)
23.9	128.0	Operating profit	15.9	86.8	25.8	120.8	+62	+39
14.2	76.6	Depreciation	9.7	52.9	10.8	50.5	+11	(5)
125.6	672.7	Tangible assets	111.6	609.2	132.1	618.3	+18	+2
29.3	156.9	Capital expenditures	20.8	113.5	22.5	105.3	+8	(7)

⁽¹⁾Exchange rates used - 1997: 186.7 HUF/USD, 1997 Q1-3: 183,18 HUF/USD, 1998 Q1-3: 213,66 USD/HUF (average NBH middle rates) ⁽²⁾ Net sales have been adjusted to make results comparable after the introduction of the unified New Excise Tax.

IAS net sales revenues for the Refining and Marketing division for the first nine months of 1998 were HUF 261.7 bn and operating profit reached HUF 25.8 bn representing 62% growth over the same period last year (HUF 15.9 bn). Under IAS, the Division spent HUF 22.5 bn on capital expenditures and HUF 5.8 bn on investments. The profitability of the division was enhanced by increasing domestic demand for higher value oil products, improving refining industry margins and lower purchase prices of imported crude oil. By the end of the third quarter it was apparent that average crude oil prices would not reach the previously expected levels for 1998. As a result, we decided to use actual crude oil purchase prices in place of the previously expected crude oil price as a basis to calculate the manufacturing cost of our crude oil product inventories. This results in a HUF 2.7 bn reduction in inventory values compared to an inventory valuation based on the previously assumed 16.4 USD/bbl average Brent price for 1998, which was used until the end of the first half this year. MOL management believes that the new valuation basis will reflect more accurately the actual business performance based on calculating the factual manufacturing cost of crude oil product inventories, which will be performed after closing the full financial year.

During the first nine months of 1998, MOL refined 5.2 Mt of crude oil, of which 4.3 Mt was imported. Average crude oil import price declined by 33% in dollar terms and by 13% in Forint terms. Domestic demand for refined products increased on the back of a stable market share. MOL's domestic oil product sales were up 4% to 4009 kt and export sales were up 0.4% to 1389 kt. The high value product group (motor gasolines and gasoils) sales increased at above the average sale growth. In the first nine months of 1998, total motor gasolines sales increased by 3.6% (domestic sales increasing by 5% and exports falling by 1.1%). Total gas and heating oil sales went up by 6.4% as domestic sales grew by 9.5% and gas oil exports grew by 1.4%. Fuel oil sales volumes decreased by 5.2%. Bitumen sales increased dynamically by 16.5% due to better export conditions and higher domestic demand facilitated by milder winter. Lubricants sales increased by 1% chiefly due to improved export sales despite a 22% decline in domestic sales. Domestic wholesale market share in motor gasolines was 85% (89% in Q1-3 1997), 87% for gas and heating oils was (89% in the same period of 1997). The market share in fuel oils went up to 71% (from 65%), while in bitumens MOL kept its market share of 98% and in lubricants a 59% market share was recorded (66% in the same period of 1997). Average wholesale market share reached 81% against 80% recorded in the same period of 1997. In the first nine months of 1998, sales revenue contributions of the main product groups were as follows (excluding excise duty): motor gasolines - HUF 57.7 bn, gas and heating oils - HUF 69.5 bn, fuel oils - HUF 16.7 bn, lubricants - excluding product fees - HUF 13.0 bn, bitumens, - HUF 6.9 bn, kerosenes HUF 5.5 bn, speciality products - HUF 17.8 bn, naphta and special gasolines - HUF 19.3 bn. In the first three quarters of 1997 - using the same basis, i.e. excluding the former excise tax, road fund contribution, environmental levy from the net sales revenues - the sales contribution were as follows: motor fuel - HUF 57.2 bn, gas and heating oils - HUF 70.3 bn, fuel oils - HUF 17.8 bn, lubricants - excluding product fees - HUF 11.8 bn, bitumens - HUF 5.3 bn, kerosenes HUF 8.2 bn, speciality products - HUF 17.1 bn, naphta and special gasolines - HUF 21.4 bn. Average distillation refinery capacity utilisation of Duna and Tisza refineries in the first nine months of 1998 was 67% (capacity utilisation of Duna refinery was 83%) In both categories small improvements were seen compared to the first nine month of 1997.

Fuelled by higher demand for motor fuels, mild weather as well as improving macroeconomic conditions and real wages, domestic retail oil product sales increased significantly during the period: retail sales of motor gasolines went up by 4% and retail gas oil sales increased by 12%, leading to a strong increase in total retail white products sales of 7%. According to data supplied by the Hungarian Petroleum Products Association (MÁSZ) which does not include independent retailers' sales, MOL's retail market share was 40% for motor gasolines and 42% for gas and heating oils in the first nine months of 1998 (a further modest development in both categories compared to the same period in 1997), while MOL's retail market share in lubricants was unchanged at 60%. We continued our filling station modernisation programme, by the end of the third quarter 202 MOL 2000 stations and a total of 367 MOL stations were in operation in Hungary. We had 36 filling stations in the neighbouring countries - 26 owned and 10 franchise - at the end of the period (22 in Romania, 9 in Slovakia, 3 in Ukraine, 1 in Croatia and 1 in Slovenia).



Financial Overview

Overview of the Business Environment

During the third quarter, crude oil prices decreased further. In the first nine months average Brent dated price was 13.27 USD/bbl (representing a 31% decline over the average of 19.23 USD/bbl in same period 1997). Average Med quoted price of Ural Blend (dominating MOL's crude purchases) was 33% lower. Gasoline grade 95 average prices decreased by 25% whilst gas oil and heavy fuel oil prices were 29% and 27% lower, respectively (in this calculation, CIF Med quoted product prices were used). Indicative Ural Med complex refining margins averaged 1.47 USD/bbl in the third quarter of 1998 and 1.94 USD/bbl for the first nine months of 1998 (compared to 1.88 USD/bbl in the Q1-3 1997). The US dollar, MOL's main foreign trading currency, appreciated by an average 16.6% against the Hungarian Forint during Q1-3 1997 (grew from HUF 183.1 to HUF 213.7), while the closing exchange rate grew by 11.9% over the same period (from HUF 195.6 to HUF 218.9). The change over the end-1997 closing rate was 7.6%. The DEM appreciated by an average 12.5% against the Hungarian Forint on Q1-3 1997 (grew from HUF 106.1 to HUF 119.4), while the closing exchange rate went up by 18.4% over the same period (from HUF 110.4 to HUF 130.7). The growth over the end-1997 closing rate was 15%. The Hungarian Forint appreciated beyond the 2.4% crawling peg by a further 2.8% as a result of its movement within the intervention band and, as a consequence, in the third quarter, a cumulative 5.2% loss in value was recorded against the currency basket.

Revenues, costs and expenditures

IAS consolidated net sales revenues were HUF 441.4 bn in the first nine months of 1998. A new, unified Excise Tax was introduced from the beginning of 1998 comprising two product tax items previously included in net sales: road fund contribution (which was HUF 34.9 bn in the first nine months of 1997) and the environmental levy on motor fuels (this was HUF 4.5 bn in the first nine months of 1997). These two product tax items are no longer shown either in net sales revenues nor deducted under other costs and expenditures. Excluding these two former product tax items from net sales, adjusted net sales revenues were HUF 402.2 bn in the first nine months of 1997 and with these modifications, 1998 first nine months sales showed a 9.8% growth. Export revenues reached HUF 77.7 bn, representing 18% of total net sales.

Material expenditures increased from HUF 276.4 bn to HUF 294.2 bn, showing a 6.5% increase, of which raw material costs decreased by 7% (mainly reflecting the declining price of crude oil purchased by MOL Rt.) while cost of goods purchased for resale grew by 20%. Personnel expenses went up by 22.7% from HUF 30.4 bn to HUF 37.3 bn in the first nine months of 1998 compared to the same period in 1997, also reflecting the personnel costs of new subsidiaries brought into full consolidation. Depreciation was HUF 29.1 bn, higher by HUF 2.6 bn or 10% than in the same period of 1997. Several reclassifications became necessary in the other costs and expenditures categories. With effect from 1 January 1998, the road fund contribution and environmental levy on motor fuels are no longer shown under these categories and mining royalties (which were reduced from HUF 10.5 bn in the first nine months of 1997 to HUF 6.9 bn in the same period of 1998) are to be shown under other costs instead of the previous categorisation as an other expense item. Taking into account these reclassifications, other costs were HUF 25.3 bn, representing an 0.3% increase in the first nine months of 1998. Adjusted other expenditures increased by 8.5% from HUF 17.2 bn to HUF 18.6 bn in the first nine months of 1998. Fees payable to the Crude Oil and Crude Oil Product Stockpiling Association (KKKSz) accounted for in other expenditures increased from 5.7 HUF bn to HUF 9.1 bn. Adjusted total other costs and expenditures increased by 3.6%.

Including the above mentioned items, IAS operating profit increased from HUF 32 bn to HUF 47.2 bn in the first nine months of 1998, showing a 47.6% growth on the same period last year. Financial income is historically dominated by interest receivables, however, during this period it contained capital gains achieved on the disposal of two minority interests. Financial income therefore was HUF 14.9 bn, while financial expenses - consisting of interest payable (HUF 9.7 bn) and exchange losses on foreign currency loans (HUF 7.8 bn) - reached HUF 19 bn. IAS consolidated profit before taxation was HUF 43.1 bn, and after deducting the share of minority interests from group profits, net income attributable to shareholders was HUF 38.8 bn. Under IAS, exchange losses on foreign currency loans during the first nine months 1998 were HUF 7.8 bn (HUF 4.0 bn in the third quarter 1998 alone), HUF 1.2 bn higher than the HUF 6.6 bn in the first nine months 1997. The higher level of foreign exchange losses is explained by the movements of Hungarian Forint within the Hungarian National Bank's 4.5%-wide intervention band and the increasing foreign currency debt reflecting ongoing capital investments.



Summary of main differences between IAS and HAR

- Under IAS, provisions are to be made for the elimination of environmental damages caused in the past and in order to comply with environmental protection legislation. The existing provision was indexed by the relevant inflation figure and actual expenses borne in carrying out rehabilitation activities during the first nine months of 1998 have been deducted, resulting in a total net decrease of HUF 0.9 bn in the provision (HUF 0.3 bn decrease in the third quarter alone).
- In accordance with IAS, the company accrues abandonment costs of oil and gas producing fields on a unit of production basis. This decreased profits by HUF 0.5 bn in the first nine months of 1998 (of which HUF 0.1 bn was accounted for in the third quarter).
- Accruals for future maintenance costs at the Duna Refinery were reduced under IAS by HUF 1.5 bn during the first nine months of 1998 (HUF 0.5 bn in the third quarter) as a result of previously foreseen general overhauls carried out in some refinery units.
- Deferred tax increased profits under IAS by HUF 0.5 bn in the first three quarters of 1998. The final balances of deferred tax are calculated on an annual basis, based on the actual tax rate for the preceeding year as well as the rates expected for future years, while also taking into account the expected size and direction of IAS modifications.

Cash flow

IAS cash flow from operations in the first nine months of 1998 was HUF 69.9 bn, within which a change in working capital needs decreased the Group's funds by HUF 12.4 bn. The change in working capital was positively affected by a HUF 15.5 bn decrease in debtors, a HUF 2.8 bn decline in other receivables and a HUF 6.4 bn increase in creditors, while inventories growing by HUF 26 bn and other liabilities falling by HUF 11.1 bn decreased funds. Returns on investment and servicing of finance (by HUF 3.3 bn) and corporate tax paid (by HUF 5.8 bn) decreased funds in the first three quarters of 1998. Investing cash outflows amounted to a net HUF 73.6 bn (including HUF 65.2 bn capital expenditures, HUF 18.1 bn acquisition of investments, which were partially offset by cash proceeds of HUF 10 bn from the disposal of some investments).

Balance sheet analysis

IAS total assets amounted to HUF 588 bn on 30 September 1998, 20% higher than in the same period of 1997. Tangible fixed assets went up by 18%. Within this, equipment (up 15%), work in progress and advance payments (up 57%) showed significant growth. Within long-term financial investments, participations increased strongly by 147% due to MOL's new investments and capital increases in its existing investments. Inventories reached HUF 114 bn, 14% higher than at the end of the third quarter of 1997 (HUF 100 bn) as the value of goods purchased for resale increased by 19% to HUF 68 bn, caused by higher natural gas inventory volumes. Natural gas inventories increased chiefly due to the significantly lower withdrawal from storage as a response to lower winter sales volumes and the partial opening of Zsana Phase II, resulting in an increase in the underground storage capacities.

Inventories (MOL Rt.)	30 Sept 1997		31 Dec 1997		31 March 1998		30 June 1998		30 Sept 1998	
	volume	HUF bn	volume	HUF bn	volume	HUF bn	volume	HUF bn	volume	HUF bn
Crude oil (kt)	330.2	6.9	319.2	6.5	497.9	8.6	360.5	5.6	314.7	5.2
Gasolines (kt)	208.6	5.1	190.8	5.3	258.2	6.7	237.2	5.8	248.5	6.0
Gas and heating oils (kt)	216.5	5.8	223.3	5.9	304.7	7.6	259.8	6.5	214.0	5.2
Fuel oil (kt)	185.1	2.7	178.9	2.8	94.8	1.6	136.9	2.2	184.0	2.7
Other refined product (kt)	244.6	6.4	256.6	7.1	156.0	5.2	309.6	8.5	335.0	8.5
Total crude oil products (kt)	1185.0	26.9	1168.8	27.6	1311.6	29.7	1304.0	28.6	1296.2	27.6
Gas (working + cushion, Mm ³)	3744.7	54.5	2858.2	40.8	1633.7	20.3	3121.9	45.0	4327.9	62.8
Total	-	81.4	-	68.4	-	50.0	-	73.6	-	90.4

Receivables were HUF 77 bn, showing a 21% increase on 30 September 1997. Within receivables, debtors were only 12% higher than at the end of September, 1997 while other receivables increased to HUF 20 bn, showing a 57% growth. Securities and liquid assets were HUF 16.2 bn on 30 September 1998, HUF 1.1 bn higher than at the end of the same period last year. Creditors grew to HUF 38.5 bn showing a 41% increase. while other short term liabilities were 25% lower than at the end of September 1997, at HUF 34 bn. This is mainly attributable to taxes payable resulting from normal business operations. Short term debt was HUF 10 bn (short term debt contains the short-term portion of long-term debt, i.e. repayable within one year) moderately higher than as at 30 September 1997 but lowered by HUF 14.0 bn compared to year-end 1997. Long term liabilities grew by 43% compared to 30 September 1997 and increased by 38% compared to the end of 1997. Long term debt, which is the largest part of this account, went up by HUF 44 bn (51%) over the 1997 year-end. The foreign currency debt accounted for 64% of the total long term debt, and its increase was driven by the growing financing need to carry out capital investments. The largest item of other long term liabilities, the accrual for field abandonment costs, increased only moderately.


Key Operating Data

HYDROCARBON PRODUCTION	1996	1997					1998				98/97
(gross figures, before royalty)	Q1-3	Q 1	Q 2	Q3	Q1-3	Year	Q 1	Q 2	Q3	Q1-3	Ch. %
Crude oil production, kt	1112	334	334	333	1001	1360	319	316	308	943	94.2
Condensates production, kt	326	127	80	76	283	388	93	72	79	244	86.2
LPG production (w/o refining prod.), kt	123	47	40	31	118	167	44	36	30	110	93.2
Other gas products, kt	79	29	25	18	72	100	27	19	13	59	81.9
NATURAL GAS BALANCE	1996	1997					1998				98/97
million m³	Q1-3	Q 1	Q 2	Q3	Q1-3	Year	Q 1	Q 2	Q3	Q1-3	Ch. %
Gas Production (net dry)	3426	1404	966	798	3168	4365	1049	754	794	2597	82.0
Gas Import	6967	1791	2193	2092	6076	8080	1978	2637	2057	6673	109.8
Movements in storage inventories	-1624	1414	-1066	-1481	-1133	-247	1207	-1469	-1206	-1468	129.6
TOTAL SOURCES	8769	4609	2092	1410	8111	12198	4234	1922	1645	7802	96.2
Sales to Gas Distr. Companies (GDCs)	6218	3799	1368	753	5920	9094	3451	1127	792	5370	90.7
Sales to power sector	1271	343	315	345	1003	1496	379	467	572	1418	141.4
Sales to industrial and other consumers	926	370	301	221	892	1226	328	243	197	769	86.2
TOTAL THIRD PARTY SALES	8415	4512	1984	1319	7815	11816	4158	1838	1561	7557	96.7
Loss and own consumption	354	97	108	91	296	382	76	85	84	245	82.8
TOTAL SALES AND LOSSES	8769	4609	2092	1410	8111	12198	4234	1923	1645	7802	96.2
TOTAL LPG SALES	240	62	53	46	161	231	55	44	49	147	91.3
REFINING	1996	1997					1998				98/97
thousand tons	Q1-3	Q 1	Q 2	Q3	Q1-3	Year	Q 1	Q 2	Q3	Q1-3	Ch. %
Processing of domestic crude oil	1110	300	354	326	980	1327	282	311	301	894	91.2
Processing of imported crude oil	3685	1361	1198	1392	3951	5362	1355	1396	1535	4286	108.5
Processing of condensates	318	119	70	65	254	363	91	70	69	230	90.6
Other processing	421	120	124	185	429	619	188	189	205	582	135.7
TOTAL REFINERY THROUGHPUT	5534	1900	1746	1968	5614	7671	1916	1966	2109	5991	106.7
REFINED PRODUCT SALES	1996	1997					1998				98/97
Hungary, thousand tons	Q1-3	Q 1	Q 2	Q3	Q1-3	Year	Q 1	Q 2	Q3	Q1-3	Ch. %
Gas and heating oils	1046	314	356	424	1094	1565	340	394	464	1198	109.5
Motor gasolines	870	232	291	330	853	1156	246	309	341	896	105.0
Fuel oils	997	325	291	340	956	1309	412	238	256	906	94.8
Special gasoline and naphta	529	193	200	150	543	737	187	202	186	575	105.9
Bitumens	152	14	59	86	159	232	17	75	86	178	112.0
Lubricants	54	13	19	13	45	63	13	11	11	35	77.7
Other products	263	85	43	87	215	295	55	79	87	221	102.8
TOTAL DOMESTIC SALES	3911	1176	1259	1430	3865	5357	1270	1308	1431	4009	103.8
Other markets (exports), thousand tons											
Gas oils	786	203	207	253	663	830	194	250	228	672	101.4
Gasolines	266	86	61	146	293	411	86	94	112	292	99.7
Lubricants	74	19	18	25	62	85	21	29	23	73	117.7
Bitumens	61	6	30	35	71	99	17	31	42	90	126.8
Other products	296	111	118	64	293	369	85	86	91	262	89.4
TOTAL EXPORT SALES	1483	425	434	523	1382	1794	403	490	496	1389	100.5
TOTAL PRODUCT SALES	5394	1601	1693	1953	5247	7151	1673	1798	1927	5398	102.9
HEADCOUNT	1996	1997					1998				98/97
(full-time employees only)	Q1-3	Q 1	Q1-2	Q1-3	Year	Q 1	Q1-2	Q1-3	Ch. %		
Total average headcount	15749	14607	14466	14526	14344	13917	13910	13930	95.9		
TOTAL CLOSING HEADCOUNT	15711	14519	14118	14297	14059	13911	13946	14033	98.2		



Changes in MOL's Ownership Structure

The table below shows the changes in the ownership structure of MOL according to the Company's share register. Unregistered holding were accounted for in the other category. We note that under Hungarian legislation, the Share Register does not fully reflect the ownership structure, as registration is not mandatory.

Shareholder groups	30 Sept 1997	31 Dec 1997	31 March 1998	30 June 1998	30 Sept 1998
ÁPV Rt. (Hungarian State Priv. and Holding Co.)	36.2%	36.2%	25.0%	25.0%	25.0%
Foreign investors (mainly institutional)	44.5%	45.1%	56.5%	51.2%	53.8%
Employees and management	3.7%	3.7%	4.6%	4.6%	4.6%
Hungarian private and institutional investors and other	13.6%	13.0%	11.8%	17.6%	14.7%
Municipalities	1.1%	1.1%	1.1%	0.7%	1.0%
MOL Rt.	0.9%	0.9%	1.0%	0.9%	0.9%

According to the Share Register, MOL Rt. had two shareholders whose ownership in the ordinary shares exceeded 5%, the ÁPV Rt. which owned 25% of the shares, while MOL's depository bank for its GDR programmes, The Bank of New York, which had 38.2% of the shares registered under its name. The number of treasury shares held by MOL Rt. decreased very slightly by 254 from 864,122 to 863,868.

Major Extraordinary Announcements During the Third Quarter of 1998

On 2 July 1998, MOL signed a long-term natural gas sales agreement with TIGÁZ (Tiszántúli Gázszolgáltató Rt.) valid until the year 2017. MOL announced on 10 July that it has acquired a 27.18% stake in DÉGÁZ Rt. (Délalföldi Gázszolgáltató Rt.) and on 16 July, it also announced that it has acquired a 35.45% stake in ÉGÁZ Rt. (Északdunántúli Gázszolgáltató Rt.). MOL announced on 22 July 1998 that it has submitted a claim for a revision of the natural gas price to the Hungarian Energy Office (HEO) in accordance with the 1994 Act XLI on Gas Distribution and Government Resolution 1075/1995. On 6 August 1998 MOL has awarded two further contracts in connection with its residue upgrading programme at the Duna Refinery. On 7 August MOL announced that it has been officially informed about winning a hydrocarbon exploration license in Pakistan for Thal Block, where MOL Pakistan Oil and Gas Co. B.V. is the operator with 35 percent share. MOL announced on 2 September that it sold and at the same time repurchased 215,426 MOL shares on the Budapest Stock Exchange.

During the third quarter of 1998, there were no changes in MOL share ownership of senior management, the members of the Board of Directors and the Supervisory Board, except for a change in the MOL shareholding of one of the members of the Board of Directors. There were no relevant changes in the corporate structure.

Budapest 13 November 1998



APPENDIX I.

**CONSOLIDATED PROFIT & LOSS ACCOUNTS FOR THE MOL GROUP
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 1998**
Unaudited figures (in HUF 000's)

	<u>HAR consolidated</u>		<u>IAS consolidated</u>		ch. %
	Q1-3 1997	Q1-3 1998	Q1-3 1997	Q1-3 1998	
Net domestic sales revenues	365,887,044	-	368,269,809	-	-
Adjusted net domestic sales revenues (*)	326,476,854	363,674,158	328,859,619	363,674,158	+10.6
Net export sales revenues	71,620,683	75,170,467	73,316,504	77,716,941	+6.0
NET SALES REVENUES	437,507,727	438,844,625	441,586,313	441,391,099	0
ADJUSTED NET SALES REVENUES (*)	398,097,537	438,844,625	402,176,123	441,391,099	+9.8
Other revenues	8,985,186	8,139,649	2,731,498	3,289,448	+20.4
Capitalised value of own produced assets	13,707,176	23,925,930	2,602,904	7,027,132	+170.0
Changes of own produced inventories	4,536,255	1,872,766	-	-	-
Capitalised value of own performance	18,243,431	25,798,696	2,602,904	7,027,132	+170.0
Raw material costs	133,651,113	129,568,846	120,721,827	112,381,970	(6.9)
Value of material-type services used	20,762,350	22,790,688	20,998,711	21,290,688	+1.4
Cost of goods purchase for resale	121,430,073	147,054,548	122,276,566	147,054,548	+20.3
Value of subcontractor's performance	11,976,992	13,497,783	12,362,630	13,497,783	+9.2
Material-type expenditures	287,820,528	312,911,865	276,359,734	294,224,989	+6.5
Wages and salaries	17,869,104	21,278,175	18,314,716	21,278,175	+16.2
Other payment to personnel	4,956,041	5,736,283	3,565,939	5,944,212	+66.7
Social insurance contribution	8,310,359	10,074,915	8,504,375	10,074,915	+18.5
Personnel expenditures	31,135,504	37,089,373	30,385,030	37,297,302	+22.7
Depreciation and amortisation	26,350,682	29,122,613	26,461,677	29,135,727	+10.1
Other costs	18,930,209	27,102,213	14,638,148	25,261,603	N/A
Adjusted other costs (*)	24,933,739	27,102,213	25,179,992	25,261,603	+0.3
Other expenditures	70,645,084	29,545,105	67,112,583	18,612,341	N/A
Adjusted other expenditures (*)	25,231,364	29,545,105	17,160,549	18,612,341	+8.5
Different decreasing consolidated profit	61,513	0	-	-	-
OPERATING PROFIT	29,792,824	37,011,801	31,963,543	47,175,717	+47.6
Interest received and interest-related revenues	1,872,004	5,901,184	2,044,730	5,901,184	+189
Dividend and profit-sharing received	915,033	725,920	367,067	587,360	+60.0
Other revenues from financial transactions	1,615,243	8,441,126	1,962,040	8,441,126	+330
Financial income	4,402,280	15,068,230	4,373,837	14,929,670	+241
Interest paid and interest-related payments	5,883,780	9,667,127	5,957,630	9,667,127	+62.3
Write-off of financial investments	21,335	642,739	83	529,100	N/A
Other expenditures on financial transaction	399,776	580,700	7,044,886	8,802,434	+24.9
Financial expense	6,304,891	10,890,566	13,002,599	18,998,661	+46.1
FINANCIAL RESULT	(1,902,611)	4,177,664	(8,628,762)	(4,068,991)	+52.8
PROFIT BEFORE TAXATION AND EXTRAORD. ITEMS	27,890,213	41,189,465	23,334,781	43,106,726	+84.7
Extraordinary income	2,674,928	1,935,306	-	-	-
Extraordinary expense	2,774,072	1,475,674	-	-	-
EXTRAORDINARY RESULT	(99,144)	459,632	-	-	-
PROFIT BEFORE TAXATION	27,791,069	41,649,097	23,334,781	43,106,726	+84.7
Tax payable	5,238,695	4,845,176	4,125,622	4,383,723	+6.3
Latent tax from consolidation (+/-)	(219,965)	(759,470)	-	-	-
PROFIT AFTER TAXATION	22,772,339	37,563,391	19,209,159	38,723,003	+102.0
Share of profit of associated companies	-	-	265,234	328,687	+23.9
Minority interests	-	-	(1,060,344)	(227,958)	(78.5)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	-	-	18,414,049	38,823,732	+111.0
NET PROFIT FOR THE YEAR	22,772,339	37,563,391	18,414,049	38,823,732	+111.0

(*) Adjustments have been carried out due to the introduction of new, unified Excise Tax in 1998.



APPENDIX II.

CONSOLIDATED BALANCE SHEETS FOR THE MOL GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 1998

Unaudited figures (in HUF 000's)

	HAR consolidated		IAS consolidated		ch. %
	30 Sept 1997	30 Sept 1998	30 Sept 1997	30 Sept 1998	
FIXED ASSETS	282,264,962	356,306,438	294,126,582	360,592,846	+22.6
INTANGIBLE FIXED ASSETS	5,779,759	6,767,532	6,201,956	7,006,014	+13.0
Rights, representing assets	317,424	467,887	326,557	467,887	+43.3
Goodwill	175	74	175	74	(57.7)
Intellectual property	1,248,935	2,353,497	1,401,433	2,353,497	+67.9
Capitalised value of research and development	4,213,225	3,933,194	4,214,943	3,933,194	(6.7)
Capitalised value of formation an restructuring expenses	0	12,880	10,952	12,880	+17.6
IAS goodwill	-	-	247,896	238,482	(3.8)
TANGIBLE FIXED ASSETS	253,127,402	314,528,250	272,822,102	320,742,095	+17.6
Land and buildings	169,977,433	189,660,500	172,676,345	189,392,808	+9.7
Technical equipment, machinery, vehicles	44,797,969	51,393,002	52,559,762	57,874,539	+10.1
Other equipment and fittings	8,866,283	12,940,035	8,959,701	12,940,035	+44.4
Work in progress	28,762,530	58,331,946	37,828,619	58,331,946	+54.2
Advance payments made towards capex	723,187	2,202,767	797,675	2,202,767	+176
LONG-TERM FINANCIAL INVESTMENTS	23,357,801	35,010,656	15,102,524	32,844,737	+118
Participations	20,139,368	29,762,736	11,999,914	29,593,782	+146
Securities	496,047	637,743	496,047	637,743	+28.6
Loans owed to the Company	2,370,863	2,613,212	2,373,868	2,613,212	+10.1
Long term bank deposit	225,071	0	232,695	0	-
Active balance of consolidation of equity from affiliates/JVs	126,452	1,996,965	-	-	-
DEFERRED TAX (IAS)	-	-	13,664,330	14,995,003	+9.7
CURRENT ASSETS	183,734,304	215,290,183	179,085,046	207,096,603	+15.6
INVENTORIES	100,168,582	114,146,107	100,026,885	113,725,661	+13.7
Raw materials and consumable goods	18,090,928	18,756,054	17,831,675	18,335,608	+2.8
Goods purchased for resale	57,336,491	67,907,846	57,318,853	67,908,052	+18.5
Advance payments made towards inventories	336,141	746,941	471,579	746,941	+58.4
Livestock	244	206	-	-	-
Semifinished products	10,116,712	11,231,846	10,116,712	11,231,846	+11.0
Finished products	14,288,066	15,503,214	14,288,066	15,503,214	+8.5
RECEIVABLES	68,666,908	81,704,925	63,922,367	77,173,403	+20.7
Accounts receivable	54,407,936	59,813,631	51,106,793	57,193,947	+11.9
Draft receivables	65,466	0	65,466	0	-
Other receivables	13,320,036	19,979,456	12,750,108	19,979,456	+56.7
Active latent tax due to consolidation	873,470	1,911,838	-	-	-
SECURITIES	4,517,670	5,970,014	2,944,170	2,728,402	(7.3)
Bonds purchase for resale	7,669	194,752	7,669	194,752	N/A
Treasury shares, share quotas, shares bought for sale	1,612,674	3,267,016	28,268	25,404	(10.1)
Other securities	2,897,327	2,508,246	2,908,233	2,508,246	(13.8)
LIQUID ASSETS	10,381,144	13,469,137	12,191,624	13,469,137	+10.5
Cash	401,400	415,591	417,576	415,591	(0.5)
Bank deposits	9,979,744	13,053,546	11,774,048	13,053,546	+10.9
PRE-PAID EXPENSES	4,151,369	6,296,799	3,655,049	5,128,795	+40.3
TOTAL ASSETS	470,150,635	577,893,420	490,531,007	587,813,247	+19.8



APPENDIX II. (CONT'D)

**CONSOLIDATED BALANCE SHEETS FOR THE MOL GROUP
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 1998**
Unaudited figures (in HUF 000's)

	<u>HAR consolidated</u>		<u>IAS consolidated</u>		ch. %
	30 Sept 1997	30 Sept 1998	30 Sept 1997	30 Sept 1998	
SHAREHOLDERS' EQUITY	304,313,704	349,618,350	259,916,626	301,258,445	+15.9
Issued share capital	98,400,001	98,400,001	97,455,845	97,760,989	+0.3
Capital reserves (HAR)	166,842,079	166,714,215	-	-	-
Retained earnings (HAR)	13,097,992	40,771,107	-	-	-
Reserves (IAS)	-	-	144,046,732	164,673,724	+14.3
Retained profit from the year	22,772,339	37,563,391	18,414,049	38,823,732	+111
Change on equity of affiliates (+/-)	2,580,496	5,015,728	-	-	-
Change due to consolidation	(2,113,380)	(4,390,384)	-	-	-
Difference of debt consolidation	-	197,381	-	-	-
Difference from inter company profits consolidation	(2,113,380)	(4,587,765)	-	-	-
MINORITY INTEREST	2,734,177	5,544,292	5,945,205	6,310,150	+6.1
PROVISIONS	4,488,967	3,690,051	21,797,074	21,376,136	(1.9)
Provision for expected losses	3,175,573	2,619,684	-	-	-
Provision for expected liabilities	1,313,394	1,059,729	1,313,394	1,059,729	(19.3)
Other provisions	-	10,638	20,483,680	20,316,407	(0.8)
NEGATIVE GOODWILL (IAS)	-	-	4,694,801	4,607,914	(1.9)
LIABILITIES	158,403,666	214,848,239	196,491,052	245,856,822	+25.1
LONG TERM LIABILITIES	82,230,300	134,677,040	113,436,982	161,880,108	+42.7
Investment and development credits	65,380,724	116,951,576	68,988,362	116,951,576	+69.5
Other long term credits	872,441	193,630	872,441	193,630	(77.8)
Long term loans	2,049,672	2,340,499	2,049,672	2,340,499	+14.2
Outstanding bonds issued	10,052,390	10,052,390	10,052,390	10,052,390	0
Other long term liabilities	135,438	198,928	31,474,117	32,342,013	+2.8
Passive capital consolidation balance from affiliates	3,739,635	4,940,017	-	-	-
SHORT TERM LIABILITIES	76,173,366	80,171,199	83,054,070	83,976,714	+1.1
Advance payments received from customers	1,947,049	1,525,125	1,947,169	1,525,125	(21.7)
Accounts payable (suppliers)	26,549,094	38,466,984	27,207,269	38,466,984	+41.4
Drafts outstanding	9,565	31,777	9,565	31,777	+232
Short term credits	8,315,520	9,404,857	8,316,771	9,404,857	+13.1
Short term loans	306,436	649,820	450,437	649,820	+44.3
Other short term liabilities	39,045,702	30,092,636	45,122,859	33,898,151	(25)
ACCRUED EXPENSES	2,944,298	9,736,780	1,686,249	8,403,780	+398
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	470,150,635	577,893,420	490,531,007	587,813,247	+19.8



APPENDIX III.

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE MOL GROUP
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 1998
Unaudited figures (in HUF millions)**

	1995	1996	1997	Q1-3 1997	Q1-3 1998
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,486	66,249	77,790	50,938	69,873
of which movements in working capital	(26,708)	(1,031)	(22,569)	(17,059)	(12,390)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE					
Interest and other financial income	2,066	3,942	3,783	2,045	7,362
Interest paid and other financial costs	(3,191)	(7,261)	(8,110)	(6,017)	(10,624)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(1,125)	(3,319)	(4,327)	(3,972)	(3,262)
TAXATION – CORPORATE TAX PAID	(520)	(4,037)	(8,995)	(5,290)	(5,768)
INVESTING ACTIVITIES					
Capital expenditures and exploration costs	(51,746)	(55,555)	(76,635)	(43,542)	(65,214)
Proceeds from disposal of fixed assets	499	1,141	1,275	273	852
Net cash inflow on purchase of subsidiary undertaking	0	1,426	(1,239)	(1,239)	0
Net cash inflow on sale of subsidiary undertaking	0	0	195	0	0
Acquisition of other investments	(1,602)	(1,252)	(11,539)	(4,699)	(18,056)
Proceeds of disposal of investments		708	1,394	522	9,992
Changes in loans and long term bank deposits	470	(316)	(1,350)	(1,188)	(457)
Changes in short term investments	-875	(1,380)	2,591	4,088	(738)
NET CASH USED IN INVESTING ACTIVITIES	(53,254)	(55,228)	(85,308)	(45,785)	(73,621)
FINANCING ACTIVITIES					
Issuance of long term debt	17,448	16,652	84,220	83,230	67,490
Repayments of long term debt	(7,092)	(7,776)	(67,627)	(69,523)	(32,442)
Changes in short term debt	19,270	(10,726)	1,626	(12,451)	(11,690)
Dividends received	508	274	325	367	587
Dividends paid to shareholders		(885)	(3,604)	(3,581)	(7,805)
Dividends paid to minority interest	(21)	(1)	(390)	(390)	(298)
Net repurchase of own shares	(1,171)	(474)	(27)	61	(1,570)
Bond issue	0	0	10,000	10,000	0
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	28,942	(2,936)	24,523	7,713	14,272
NET INCREASE/(DECREASE) IN CASH EQUIVALENTS	(471)	729	3,683	3,604	1,494
Cash and cash equivalents at the beginning of the year	7,267	6,796	7,525	7,525	12,271
Adjustment to the subsidiaries brought into consolidation in 1997	0	0	1,063	1,063	(296)
CASH AND CASH EQUIVALENTS END OF THE PERIOD	6,796	7,525	12,271	12,192	13,469



APPENDIX IV.

KEY IAS FINANCIAL DATA BY BUSINESS SEGMENT (in HUF millions)

NET SALES REVENUES	1995	1996	1997	Q1-3 1997	Q1-3 1998
Exploration and Production	125,574	177,976	242,066	153,434	178,688
Refining and Marketing	228,460	314,187	421,629	262,313	261,670
Corporate and other	26,207	36,050	27,755	20,376	49,322
Eliminations and IAS adjustments	(10,247)	(30,631)	(54,405)	(33,947)	(48,288)
TOTAL	369,994	497,582	637,045	402,176	441,392
OPERATING PROFIT	1995	1996	1997	Q1-3 1997	Q1-3 1998
Exploration and Production	11,899	26,366	32,497	17,507	28,708
Refining and Marketing	2,414	10,015	23,852	15,995	25,808
Corporate and other	(6,975)	(4,074)	(3,393)	24	(4,149)
Eliminations and IAS adjustments	1,506	(65)	(2,949)	(1,562)	(3,191)
TOTAL	8,844	32,242	50,007	31,964	47,176
CAPITAL EXPENDITURES	1995	1996	1997	Q1-3 1997	Q1-3 1998
Exploration and Production	20,463	23,161	35,778	15,711	29,589
Refining and Marketing	18,007	20,035	29,265	20,819	22,476
Corporate and other	1,252	4,871	5,014	1,828	3,488
Eliminations and IAS adjustments	-	(860)	(2,314)	-	-
TOTAL	39,722	47,207	67,743	38,358	55,553
DEPRECIATION	1995	1996	1997	Q1-3 1997	Q1-3 1998
Exploration and Production	14,882	15,951	22,099	15,423	14,727
Refining and Marketing	14,749	11,706	14,163	9,715	10,846
Corporate and other	771	1,525	1,936	1,426	3,714
Eliminations and IAS adjustments	(642)	(1,607)	(619)	(102)	(151)
TOTAL	29,760	27,575	37,579	26,462	29,136
TANGIBLE ASSETS	31 Dec 1995	31 Dec 1996	31 Dec 1997	30 Sept 1997	30 Sept 1998
Exploration and Production	137,361	143,290	161,557	147,690	168,921
Refining and Marketing	91,419	98,065	125,590	111,661	132,114
Corporate and other	6,161	10,683	11,280	10,657	27,661
Eliminations and IAS adjustments	4,960	5,867	(5,893)	2,814	(7,953)
TOTAL	239,901	257,905	292,534	272,822	320,743

The Exploration and Production Division is responsible for domestic and international exploration, development, production and transmission of natural gas, crude oil and gas products and the purchase, underground storage and wholesale distribution of natural gas. The activities of the Refining and Marketing Division are the importation and refining of crude oil and the wholesale and retail distribution and marketing of petroleum products. Due to the organisational restructuring within the company in the first quarter of 1998, in Downstream, Upstream and in the Corporate categories, net sales revenues, operating profit and tangible assets are re-allocated and this is also reflected in the financial statements for the first nine months of 1998. Corporate and other categories include the results of the fully consolidated subsidiaries belonging to MOL Headquarters as well as to the portfolio of MOL-Invest Rt. In this group, the major subsidiary, Nitrogénművek Rt. achieved net sales revenues of HUF 13.4 bn while its operating profit declined from HUF 2.4 bn in Q1-3 to HUF 0.8 bn due to the increasing pressure from imported products and significantly lower world market fertiliser prices.

Net sales excludes internal sales of crude oil made by Exploration and Production Division to the Refining and Marketing Division. Operating profit for each division includes the profit arising from such sales. The internal transfer prices utilised are based on the prevailing market prices. Net sales revenues have been adjusted by the reclassifications in the first nine months of 1997, in order to make comparable with the first nine months of 1998

For the first three quarters of 1998 the operating profit of Exploration and Production Division includes a decrease in its share of the environmental provision amounting to HUF 0.3 bn and also includes an increase of the provision of the accruals for the restoration costs of oil and gas fields of HUF 0.5 bn. For the first nine months of 1998 the operating profit of the Refining and Marketing Division includes a decrease in its share of the environmental provision amounting to HUF 0.6 bn and a reduction in the accrual for the prospective maintenance expenditures of the Duna Refinery amounting to HUF 1.5 bn. Operating profit of the group was affected by the reclassification of foreign exchange losses - amounting to HUF 7.8 bn for the first nine months of 1998 - accounted for as operating profit according to HAR and as financial expenses according to IAS.